



U.S. General Services Administration

# Federal Acquisition Service

## **The Federal Strategic Sourcing Initiative (FSSI)**

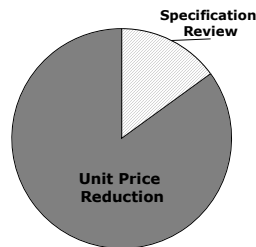
Strategic Sourcing Levels of Effort

## Strategic sourcing commodity strategies should focus on those drivers that yield the most benefit, aligning level of effort with expected return

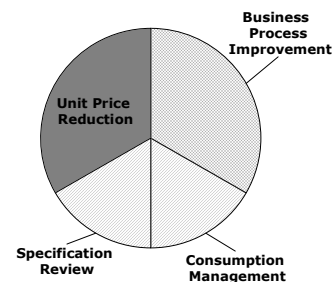
- Different commodities derive their benefits from strategic sourcing in different ways
- The objectives of a commodity strategy, and therefore the level of effort invested in a strategic sourcing initiative, should focus on those areas where the most benefit impact can be realized

### EXAMPLES OF SOURCES OF STRATEGIC SOURCING BENEFITS

COMMODITY A



COMMODITY B



- Commodity A derives benefit primarily through unit price reduction and some initial specifications review
- Commodity B is a more complex commodity and leverages all drivers to maximize the benefit of the strategic sourcing process for this commodity

### STRATEGIC SOURCING LEVELS OF FOCUS

Drivers of Benefits	LEVEL I	LEVEL II	LEVEL III
Unit Price Reduction	Red	Green	Blue
Specification Review	Hatched	Green	Blue
Consumption Management	White	Green	Blue
Business Process Improvement	White	White	Blue

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*Shaded areas denote commodity strategy focus*



**The strategic sourcing levels of focus are defined by their associated strategic objectives, each addressing deeper components of total cost of ownership**

	Strategic Objectives
<b>LEVEL I Accelerated Sourcing</b>	<ul style="list-style-type: none"><li>• Quickly achieve reductions in unit pricing through leveraging spend volumes and competition amongst suppliers</li><li>• Conduct requirements standardization where possible to aggregate volumes</li><li>• Begin collection of detailed spend data to improve understanding of spend</li><li>• Drive improvement in socio-economic participation where a viable supply base exists</li><li>• Reduce redundant contracting actions</li></ul>
<b>LEVEL II Demand Optimization</b>	<ul style="list-style-type: none"><li>• Reduce total cost of ownership through addressing major cost drivers</li><li>• Standardize and optimize requirements to allow for the aggregation of spend and “right-sizing” of specifications</li><li>• Actively leverage business intelligence to improve consumption/ demand decision making</li><li>• Drive improvement in socio-economic participation where a viable supply base exists</li><li>• Reduce redundant contracting actions</li></ul>
<b>LEVEL III Total Lifecycle Management</b>	<ul style="list-style-type: none"><li>• Reduce total cost of ownership through addressing all relevant cost drivers</li><li>• Actively leverage business intelligence to improve decision making and to drive business process improvements and acquisition cost reductions</li><li>• Achieve competitive pricing and initiate joint demand planning with suppliers</li><li>• Implement tools to facilitate ongoing and active management of total cost of ownership</li><li>• Drive improvement in socio-economic participation where a viable supply base exists</li><li>• Reduce redundant contracting actions</li></ul>

The strategic sourcing process can be iterated over more than one phase for appropriate types of commodities in order to capture a broader set of benefits

### FSSI Strategic Sourcing and Commodity Management Process

